

Financial Crimes Enforcement Network

Program Summary by Appropriations Account

(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	\$ Change over CR-rate	% Change over CR-rate
Salaries and Expenses	\$72,894	\$89,794	\$70,568	\$85,844	\$15,276	21.6%
BSA Administration and Analysis	64,458	81,143	62,132	76,889	14,757	23.8%
Regulatory Support Programs	8,436	8,651	8,436	8,955	519	6.2%
Subtotal, Financial Crimes Enforcement Network	\$72,894	\$89,794	\$70,568	\$85,844	\$15,276	21.6%
Offsetting Collections - Reimbursables	4,473	1,541	1,541	1,541	0	0.0%
Total Program Operating Level	\$77,367	\$91,335	\$72,109	\$87,385	\$15,276	21.2%

Explanation of Request

The FY 2008 President's Budget request for the Financial Crimes Enforcement Network (FinCEN) includes funding to strengthen its capability to safeguard the nation's financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. Specifically, the funding request strengthens FinCEN's disaster recovery capability of critical information technology systems, and enhances its project management capabilities. These enhancements will help FinCEN meet OMB, Treasury and GAO requirements to improve its project management capability.

Total requested resources to support FinCEN activities for FY 2008 are \$87,385,000, including \$85,844,000 from direct appropriations and \$1,514,000 from offsetting collections and reimbursable agreements.

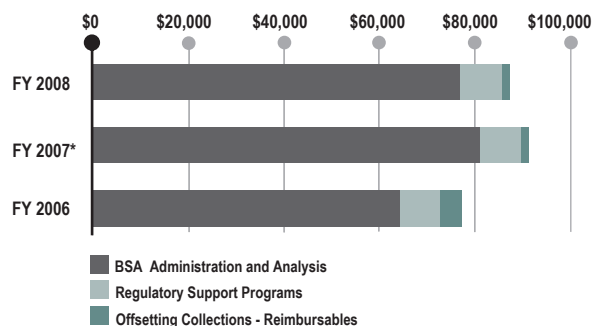
Purpose of Program

The Financial Crimes Enforcement Network (FinCEN), a bureau within Treasury's Office of Terrorism and Financial Intelligence, is responsible for safeguarding the nation's financial system from the abuses of financial crime including terrorist financing, money laundering, and other illicit activity. FinCEN fulfills its responsibility to safeguard the financial system from the abuses of financial crime through the administration of the BSA; supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; building global cooperation with its counterpart financial intelligence units; and networking people, ideas, and information.

FinCEN's activities have helped create transparency in the financial system, thus strengthening the nation's

FinCEN Funding History

(Dollars in Thousands)



* President's Budget

FinCEN FY 2008 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	\$72,894
FY 2007 President's Budget	\$89,794
CR-rate Adjustment	(19,226)
FY 2007 CR-rate	\$70,568
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	\$9,266
Annualization of the FY 2006 Initiatives	2,498
FY 2007 Initiatives	3,373
FY 2007 MCL	3,395
Maintaining Current Levels (MCLs):	\$2,777
Non-Pay Inflation Adjustment	1,335
Pay Annualization	203
Pay Inflation Adjustment	1,239
Initiative Annualization:	\$740
Annualization of FY 2007 Initiative: BSA E-Filing	740
Subtotal FY 2008 Changes to Base	\$12,783
FY 2008 Base	\$83,351
Program Changes:	
Program Increases:	\$2,493
Disaster Recovery Capability	743
Enhance Project Management Capability	1,750
Subtotal FY 2008 Program Changes	\$2,493
Total FY 2008 President's Budget	\$85,844

defenses against criminals that launder illicit proceeds in the United States. FinCEN's use of powerful tools, such as the BSA and the USA PATRIOT Act, help accomplish its mission of protecting the financial system from abuse.

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for FinCEN is \$89,794,000.

Adjustments

CR-rate Adjustment -\$19,226,000 / -18 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Annualization of the FY 2006 Initiatives +\$2,498,000 / +18 FTE This provides additional funding to annualize the staffing initiative approved in FY 2006. The increased staff enables the bureau to better assess and respond to the challenges posed by terrorist financiers and operatives, money launderers, and other perpetrators of financial crime against domestic and global financial systems.

FY 2007 Initiatives +\$3,373,000 / +0 FTE Restores requested funding for FY 2007 increases for BSA E-Filing (\$873,000) and the Cross-Border Wire Transfer (\$2,500,000). The BSA E-Filing funds will enable FinCEN to implement enhancements to improve operations of the Bank Secrecy Act (BSA) collection processes, including reference number assignment, error notification or other correspondence, and improved editing of certain types of filing errors. The requested Cross-Border Wire Transfer System funds will enable FinCEN to begin the design and, if the Secretary gives final approval, initial development of the technological systems required to receive, securely store, analyze, and disseminate reports of cross-border electronic funds transfers. This is in accordance with the Intelligence Reform Act of 2004, Section 6302.

FY 2007 MCL +\$3,395,000 / +0 FTE This provides restoration of funding required for the FY 2007 costs of the FY 2006 pay increase of \$229,000; the proposed January 2007 pay raise and other labor

related benefits of \$635,000; non-labor related items such as contracts, travel, supplies, equipments, and GSA rent adjustments of \$1,065,000, and deferred replacement of information technology equipment and other planned contracts of \$1,466,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +\$2,777,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of \$203,000; proposed January 2008 pay raise of \$1,239,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$1,335,000.

Initiative Annualization

Annualization of FY 2007 Initiative: BSA E-Filing +\$740,000 / +0 FTE This provides additional funding to annualize the remaining required modernization and service level increases that were included in the FY 2007 Budget Request. The BSA E-Filing program has experienced continued success in increasing the number of filers and electronic filings. These funds will enable FinCEN to increase support to users necessary to meet the future 90 percent E-filing target, expand options for single form filers, add system capacity and implement network equipment upgrades and back up capabilities.

Program Increases

Disaster Recovery Capability +\$743,000 / +0 FTE Funds are requested to provide ongoing site maintenance, telecommunications and system hosting for the critical information technology system disaster recovery site established in FY 2006/2007 through redirection of one-time prior year funding. By establishing this capability for critical system redundancy, FinCEN has reduced the system recovery time from 6 months to 4 hours and significantly reduced the risk of losing access to critical systems. The maintenance of the disaster recovery capability will allow FinCEN, in the event of a sustained outage or other emergency, to continue critical systems that access the BSA data through the Secure Outreach portal.

Enhance Project Management Capability +\$1,750,000 / +4 FTE A recent review of FinCEN's programs identified a need to strengthen project management

practices throughout the organization for information technology and non-information technology projects. A portion of this initiative will fund IT program and support activities such as capital planning and information security. Another portion of this initiative will fund project management oversight to ensure successful planning and execution for all of FinCEN's project management efforts.

Explanation of Budget Activities

Salaries and Expenses

BSA Administration and Analysis (\$76,889,000 from direct appropriations and \$1,541,000 from reimbursable programs) This activity comprises FinCEN's efforts to administer the Bank Secrecy Act (BSA), such as promulgating regulations, providing outreach and guidance to the regulated industries, initiating regulatory enforcement actions, providing oversight of the compliance with the Bank Secrecy Act, and, with the Internal Revenue Service (IRS), managing the information filed by the regulated industries. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving terrorist financing, money laundering, and other financial crimes. It also includes facilitating the exchange of investigative information with

foreign jurisdictions, and identifying foreign and domestic money laundering and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury.

Regulatory Support Programs (\$8,955,000 from direct appropriations) This activity supports implementation, strengthening and clarification of the anti-money laundering program, recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will also continue efforts with the IRS, especially related to the money services business industry, to ensure compliance, respond to public inquiries, distribute forms and publications, and support collection and maintenance of the BSA data. These resources also fund IRS BSA compliance activities for non-banking financial institutions, especially related to the money services business industry.

Legislative Proposals

FinCEN has no legislative proposals for FY 2008.

Description of Performance

FinCEN met the majority of its suite of performance measures. Some highlights of this performance are listed below:

FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
BSA Administration and Analysis	Average time to process enforcement matters (in Years) (E)	1	1.3	1	✓	1	1
	Percentage of FinCEN's Resource Center customers rating the regulatory guidance received as understandable (Ot)	N/A	N/A	94	Baseline	90	90
	Percentage of customers finding FinCEN's analytic reports highly valuable (Oe).	N/A	N/A	N/A	N/A	78	79
	Percentage of customers satisfied with the BSA Direct E-Filing component (Oe)	N/A	N/A	92	Baseline	90	90

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

FinCEN conducted a baseline survey of the Regulatory Resource Center customers rating the regulatory guidance received as understandable and established an FY 2006 baseline of 94 percent. Providing understandable guidance to financial institutions is critical to establishing programs that comply with the BSA.

FinCEN works closely with its regulatory partners to take action against institutions that violate the compliance and enforcement provisions of the BSA; an example of an action taken includes the imposition of stiff monetary penalties as appropriate. Timely enforcement action communicates urgency to financial institutions, and is paramount to

detering non-compliance. In FY 2006, FinCEN met their target measure of 1.0 years average time to process cases. The year-to-date actual result of 1.0 years reflects effective use of resources. In addition, FinCEN is continuing to work toward developing measures of the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities.

FinCEN supports law enforcement and its regulatory industry partners by facilitating information sharing and providing analyses of BSA data. In FY 2006, a survey of FinCEN's customers found that 69 percent rated FinCEN's analytic products as valuable, not

meeting its target. FinCEN revised this measure as a result of the FY 2006 Program Assessment Rating tool (PART) process. The reformatted measure will more closely tie to how BSA data is used by law enforcement, regulators, and international partners to identify, stop, and prevent abuse of the financial systems.

FinCEN also conducted a baseline survey of their users of the BSA Direct E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2006, 92 percent of the respondents were satisfied with the BSA Direct E-Filing system.